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US stocks slide as Greek debt worries grow

US stocks slide as Greece fights for emergency funds; finance ministers lack clear solution



Francesca Levy, AP Business Writer, On Monday September 19, 2011, 12:49 pm

NEW YORK (AP) -- Stocks sank Monday as optimism faded that a bailout package for Greece would take shape in time to keep the country from defaulting on its debts.

By noon Monday, the Dow had fallen 179 points, or 1.6 percent, to 11,329. The S&P 500 index fell 18, or 1.5 percent, to 1,198. The Nasdaq composite fell 22, or 0.8 percent, to 2,600.

The plunge took back part of the S&P 500 index's 5.4 percent gain last week. Stocks rose every day last week, the longest stretch of increases in 2 1/2 months, as hopes built that a resolution to Greece's debt crisis might be near.

Still, the Dow Jones industrial average has lost 12 percent since July 21, when stocks began to slip on increasing worries about Europe's ability to solve its debt crisis and the danger of the U.S. sliding into another recession.

Swings of more than 100 points in a day have become common for the Dow. In August, the index traded in an average range of 337 points.

European finance ministers said Friday they would delay authorizing a new installment of emergency funds for Greece until October. Investors fear that the country will fail to convince lenders that it can pay its debts.

The Greek cabinet is preparing to devise new austerity measures, but the country risks not qualifying for an \$11 billion installment of the bailout package it received last year, as well as a second bailout worth \$149 billion.

If Greece were to default on its debt, other debt-laden European countries would likely be judged less credit-worthy and have difficulty borrowing money.

A crisis such as that would not happen in a vacuum. The companies in the broad Standard & Poor's 500 index of U.S. stocks get 20 percent of their net income from European countries. A wave of defaults in Europe could infect the global banking system and help put the brakes on a U.S. economic recovery.

The uncertainty wasn't limited to Wall Street. In Europe, Germany's DAX closed 2.8 percent lower. France's CAC-40 fell 3 percent, and the FTSE 100 index of leading British shares fell 2 percent.

Investors also appear pessimistic about a Federal Reserve policy decision expected Wednesday. The Fed has hinted it might take new economic stimulus measures, but many analysts think no such initiative will be announced this week.

Too many Fed officials disagree about the direction monetary policy should take for a firm decision to come so soon, said Ralph Fogel, head of investment strategy at Fogel Neale Partners in New York. "They'll have to let it play out at least a little while longer, and I think they'll wait until November," Fogel said.

Separately, President Barack Obama on Monday called for \$1.5 trillion in new taxes to help reduce the U.S. deficit, saying "we can't just cut our way out of this hole."

The proposal has been met with opposition by House Speaker John Boehner, who has said the Republican Party won't accept any tax increases to lower deficits. Obama's speech marks the start of a new round of deficit-reduction negotiations that are likely to be contentious.

It adds up to a lot of uncertainty. "The market just can't stand not knowing what's going on," Fogel said.

In corporate news, Goodrich Corp. rose 12 percent on speculation that United Technologies Corp. is interested in buying the aerospace manufacturer. Meanwhile, shares of United Technologies fell 1.6 percent.

Tyco International Ltd. rose 2.6 percent after the Swiss manufacturer announced a plan to split into three companies.

Lennar Corp. rose 4.3 percent after the homebuilder's earnings met Wall Street's expectations while revenue was stronger than expected. It said demand is picking up somewhat, driven by low home prices and all-time low interest rates.

Netflix fell 3.1 percent after the company said it was formally separating its online streaming service from its mail-in DVD rental service, which is being renamed Qwikster.

Chinese solar equipment factory Jinko Solar plunged 23 percent after it was forced to shut down one of its factories because of protests by local residents who claimed it was polluting the air and water.

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